

The Honorable Steny Hoyer  
Majority Leader  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Kevin McCarthy  
Minority Leader  
U.S. House of Representatives  
Washington, DC 20515

Dear Leader Hoyer and Leader McCarthy:

On behalf of the American Financial Services Association (AFSA)<sup>1</sup>, I am writing to express serious concerns for H.R. 3621, the Comprehensive CREDIT Act of 2020, and respectfully request that the House vote against this legislation.

AFSA members are lenders active in consumer credit markets. The symbiotic relationship between lending and credit reporting systems offers American businesses and consumers reliable access to credit on convenient terms in all economic conditions. Such lending is based upon the availability of accurate credit data to help perform appropriate underwriting, and creditors in turn act as furnishers of information about payment behavior to the consumer reporting agencies. When these systems work together properly, as occurs the overwhelming majority of the time, consumers have access to convenient forms of credit and are rewarded for timely payment behavior with elevated credit scores and additional credit options. However, this legislation has several harmful provisions that could cause unnecessary difficulties for all market participants.

First, the provision that Credit Reporting Agencies (CRAs) and credit furnishers must ignore otherwise accurate credit information about consumers is problematic. Eliminating otherwise accurate credit information from consumer reports harms consumers by reducing the predictive accuracy of consumer reports and scores and generates creditor interest in other sources of information. With less accurate consumer reports and scores, creditors will be inevitably forced to reduce the amount of credit extended and/or raise prices to cover for the additional risk. This is not the right approach.

Secondly, the legislation places new, unsuitable burdens on the Consumer Financial Protection Bureau (CFPB). The bill requires the CFPB to review credit scoring models periodically and provides authority to prohibit use of model components that the CFPB deems inappropriate. The CFPB has a mission to enforce laws and regulations and supervise financial institutions under its purview. Directing the CFPB to determine what credit scoring models are the most effective is beyond its mission and will stifle innovation.

Third, the number of credit disputes consumers submit directly to creditors and through CRAs is already overwhelming, and bills such as this add to the burden. Under current law, CRAs and furnishers are obliged to investigate and repair errors that appear on consumer reports. While it is crucial for consumers to be able to dispute the accuracy of information in their credit files, unfortunately, not all credit disputes are valid.

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<sup>1</sup> Founded in 1916, the American Financial Services Association (AFSA) is the primary trade association for the consumer credit industry, protecting access to credit and consumer choice. AFSA members provide consumers with many kinds of credit, including direct and indirect vehicle financing, traditional installment loans, mortgages, payment cards, and retail sales finance. AFSA members do not provide payday or vehicle title loans.

The number of repetitive and irrelevant disputes continues to climb. In fact, in recent years a cottage industry of credit repair organizations has emerged that charges consumers fees to file repetitive disputes.

The furnishers investigate the disputes and confirm the reported information as accurate, while the consumer is out the fee paid to the credit repair organization. Allowing additional volume will inundate furnishers, taking resources away from legitimate disputes. Third party participation in the dispute process should be controlled in order to decrease the proportion of invalid disputes.

Fourth, the bill also would eliminate provisions in current law that allow furnishers to respond within 5 days that a dispute is repetitive or irrelevant when the furnisher has already investigated and responded to the dispute or the dispute did not have enough information to investigate the dispute. Under the Fair Credit Reporting Act (FCRA), the furnisher must explain why the dispute is frivolous or irrelevant. The legislation should continue to allow this summary determination by furnishers. In these cases, the furnishers have already complied with the law, they explain this to the consumers in their responses. The irrelevant disputes received by furnishers are often from the predatory credit repair organizations. They will welcome the reinvestigation and appeal process so they may continue to tie up CRA and furnisher resources by filing additional demands for reinvestigations and appeals without cause.

Finally, the legislation proposes expanding availability of injunctive relief (along with attorney fees and costs) in connection with violations of the FCRA and expanding the provisions in the law that can be enforced via civil suit. AFSA agrees that action is needed to eliminate wasteful and abusive credit disputes that divert creditor attention and resources from legitimate disputes. However, adding new legal remedies and financial inducements for the plaintiffs' bar to bring lawsuits is not the right approach. Offering legal remedies to more credit reporting errors, regardless of how trivial or whether the error causes harm to the consumer, will not provide any significant relief to the pressing issues that affect consumers, creditors, and the CRAs. Rather, policymakers should be working with CRAs and creditors to understand and fix the conditions that have led to the deluge of frivolous disputes.

This legislation has serious issues that would be problematic for all involved: consumers, CRAs, and creditors. We encourage the House to vote this legislation down when it comes to the floor. Thank you for the opportunity to comment on this, and we hope to continue to work with you on legislation that will help ensure that consumers are able to receive the credit they need.

Sincerely,

A handwritten signature in cursive script that reads "Ann Harter".

Ann Harter  
Vice President, Congressional Affairs  
American Financial Services Association